



U.S. Department of Energy
Office of Inspector General
Office of Audits and Inspections

Examination Report

The Department of Energy's
American Recovery and
Reinvestment Act Energy Efficiency
and Conservation Block Grant
Program – Efficiency Maine Trust



OAS-RA-13-04

November 2012



Department of Energy
Washington, DC 20585

November 8, 2012

MEMORANDUM FOR THE ASSISTANT SECRETARY FOR ENERGY EFFICIENCY AND
RENEWABLE ENERGY

A handwritten signature in black ink, appearing to read "Rickey R. Hass".

FROM: Rickey R. Hass
Deputy Inspector General
for Audits and Inspections
Office of Inspector General

SUBJECT: INFORMATION: Examination Report on "The Department of
Energy's American Recovery and Reinvestment Act of 2009 Energy
Efficiency and Conservation Block Grant Program – Efficiency Maine
Trust"

INTRODUCTION AND OBJECTIVE

The attached report presents the results of an examination of the Efficiency Maine Trust's (Trust) implementation of the American Recovery and Reinvestment Act of 2009 Energy Efficiency and Conservation Block Grant (EECBG) Program. The Office of Inspector General (OIG) contracted with an independent certified public accounting firm, Otis and Associates, PC, to express an opinion on the compliance with Federal and State laws, regulations and program guidelines applicable to the EECBG Program. The Trust is responsible for operating the State of Maine's energy efficiency and alternative energy programs, and for administering the State of Maine's EECBG funding.

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was enacted to promote economic prosperity through job creation and encourage investment in the Nation's energy future. As part of the Recovery Act, the EECBG Program received about \$3.2 billion to assist in implementing strategies to reduce fossil fuel emissions, decrease total energy use of local governments, improve energy efficiency and create jobs. The Trust received about \$9.6 million that was allocated as block grants to units of local government and competitive grants that support vital energy efficiency projects.

OBSERVATIONS AND CONCLUSIONS

Otis and Associates, PC, expressed the opinion that except for the weakness described in its report, the Trust complied in all material respects with the requirements and guidelines relative to the EECBG Program for the period November 13, 2009 through December 31, 2011. However, the examination found that the Trust lacked adequate records to support grant related expenditures by subgrantees. As a result, Otis and Associates, PC, questioned about \$560,000 in costs associated with the expenditures identified in the review.

The report makes recommendations to the Trust to improve its administration of its EECBG funds. In response to the report, officials stated the Trust plans to work with the Department of Energy (Department) to resolve the amounts questioned during the audit. Officials also indicated they will continue to support the municipalities' efforts to provide the documentation needed to complete the files. Otis and Associates, PC, considered the Trust's response to be adequate.

RECOMMENDATIONS

We recommend that the Program Director, Weatherization and Intergovernmental Programs, Office of Energy Efficiency and Renewable Energy:

1. Ensure that appropriate action is taken by the Trust to improve the administration of Recovery Act EECBG funds.

We also recommend that the Contracting Officer for the Trust's EECBG Grant:

2. Resolve identified questioned costs.

DEPARTMENT COMMENTS AND AUDITOR RESPONSE

Department officials concurred with the recommendations outlined in this memorandum. Department officials stated they are working with the Trust to verify that all paperwork from the sub-grantees identified is complete and made additional training and best practices available to the Trust. Further, officials stated they will work with the Trust to ensure the collection of all documentation necessary to verify expenditures questioned during the audit and will verify steps the Trust has taken to institute procedures to audit a sampling of subrecipient files for proper documentation related to both invoices and proof of payment.

The Trust officials stated they plan to work with the Department to resolve the questioned amounts and indicated they will continue to support the municipalities' efforts to provide the documentation needed to complete the files.

The comments provided by the Department and the Trust were responsive to the recommendations.

EXAMINATION-LEVEL ATTESTATION

Otis and Associates, PC, conducted its examination in accordance with attestation standards established by the American Institute of Certified Public Accountants as well as those additional standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The examination-level procedures included gaining an understanding of the Trust's policies and procedures and reviewing applicable EECBG Program documentation. The procedures also included an analysis of subgrantees' project costs.

The OIG monitored the progress of the examination and reviewed the report and related documentation. Our review disclosed no instances in which Otis and Associates, PC, did not comply, in all material respects, with the attestation requirements. Otis and Associates, PC, is responsible for the attached report and the conclusions expressed in the report.

Attachment

cc: Deputy Secretary
Acting Under Secretary for Energy
Chief of Staff

Report on Examination Level Attestation Engagement
Of
Efficiency Maine Trust
American Recovery and Reinvestment Act of 2009
Energy Efficiency and Conservation Block Grant Program

Performed for the U.S. Department of Energy,
Office of Inspector General

Under

Contract Number: DE-IG0000018
Work Order Number: 2011-04

By

Otis and Associates, PC

November 2, 2012

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SECTION IV: MATERIAL WEAKNESSES

Finding 1: Lack of adequate records to support grant related expenditures by Sub-grantees – Material Weakness

Condition

During our review of grant related expenditures, we noted that expenditures claimed by 9 of the 56 sub-grantees in our sample were not supported with adequate documentation. Specifically, during our site visit with the Trust, we sampled expenditures totaling approximately \$3.3 million and found the recipient files lacked supporting documentation such as invoices, receipts, check stubs, or copies of checks issued to vendors for sub-grantees' expenses totaling about \$560,000. Although the Trust provided most of the expenditure information requested, the documentation, as of the close of our examination, was not adequate to support costs claimed for items such as equipment and contracted services totaling about \$560,000.

According to 10 CFR 600.220, grantees and sub-grantees must maintain records which adequately identify the source and application of funds. Specifically, these records must contain information pertaining to grant or sub-grant awards, authorizations and expenditures. Further, the regulation states that records must be supported with source documentation such as cancelled checks, paid bills and award documents.

Cause

The lack of adequate support occurred because the Trust had not enforced the provisions in the award agreement that required its sub-grantees to retain and provide documentation supporting expenditures. Specifically, the Trust's agreement stated that sub-grantees shall maintain records and provide copies of backup documentation at the request of the Trust or the Department.

Effect

As a result of the condition noted above, there is an increased risk that the expenditures may not comply with the terms and conditions of the grant and may be unallowable. Because the Trust could not provide documentation supporting about \$560,000 in expenditures, we consider these amounts unsupported and therefore, we question their allowability.

Recommendations

We recommend that the Trust:

- Enforce the requirements that sub-grantees must retain and provide documentation supporting their expenditures; and,
- Work with the Department to resolve the amounts questioned during our review totaling \$560,000 for unsupported claimed costs.

Management Comments and Auditors' Analysis:

Trust officials plan to work with the Department to resolve the amounts questioned during the audit. Officials also indicated they will continue to support the municipalities in their efforts to provide the documentation needed to complete the files.

We consider the Trust's response to be adequate.

To view the Management Comments, please visit the full report:

<https://cms.doe.gov/sites/prod/files/OAS-RA-13-04.pdf>

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